

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 EA-11 ISO-00 AGR-20 CIAE-00 COME-00

INR-11 LAB-06 NSAE-00 RSC-01 SP-03 STR-08 TRSE-00

SWF-02 CIEP-03 FRB-03 OMB-01 DRC-01 L-03 /101 W

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R 160839Z AUG 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6083

INFO AMEMBASSY SANTO DOMINGO

AMEMBASSY MEXICO CITY

AMEMBASSY LIMA

AMEMBASSY BRASILIA

C O N F I D E N T I A L MANILA 9817

E.O. 11652: GDS

TAGS: ETRD, EAGR, RP, EGEN

SUBJECT: SUGAR TRADE

REF: STATE 173375

1. REFTEL STATES THAT "ANY EFFORTS THAT COULD HASTEN DELIVERY" OF SUGAR TO U.S. "SHOULD BE UNDERTAKEN," AT THE SAME TIME, REFTEL REPORTS THAT THE ADMINISTRATION HAS NO RPT NO PLANS FOR REVIVING THE SUGAR QUOTA LEGISLATION WHICH WAS DEFEATED LAST SPRING IN THE U.S. HOUSE OF REPRESENTATIVES. IT IS ALSO DISTURBING TO NOTE THAT, AT THE TIME REFTEL WAS SENT, THE U.S. SUGAR INDUSTRY DID NOT RPT NOT EXPECT ANY ACTION TO BE TAKEN BY THE SENATE IN THIS SESSION OF CONGRESS.

2. AT THE RISK OF BELABORING THE OBVIOUS, I WISH TO POINT OUT THAT IN THE ABSENCE OF SUCH LEGISLATION OFFERING AT LEAST FUTURE BENEFITS TO PHILIPPINE PRODUCERS, THE PHILIPPINE GOVERNMENT AND THE PHILIPPINE SUGAR INDUSTRY ARE GOING TO BE BERY SUSCEPTIBLE TO OFFERS FROM JAPAN TO BUY LARGE QUANTITIES OF PHILIPPINE SUGAR AND TO PAY FOR THE PRODUCT BY SUPPLYING SUGAR CENTRAL MACHINERY TO THE
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PHILIPPINE INDUSTRY. I HAVE NOTED IN EARLIER MESSAGES THE

PRESSURE JAPAN IS EXERTING ON PHILIPPINES IN THIS REGARD.

3. AS OF TODAY'S READING, THE PHILIPPINES HAS AN EXCELLENT CROP (PERHAPS AS HIGH AS 2.8 MILLION TONS). THE GOVERNMENT HOPES TO INCREASE THIS OUTPUT NEXT YEAR. TO DO SO, IT WILL REQUIRE FERTILIZER (ALSO MAINLY FROM JAPAN); IT IS ALREADY THINKING ABOUT ADDITIONAL CENTRALS TO INCREASE OUTPUT OVER THE NEXT THREE TO FIVE YEARS. IN THE BEST OF ALL POSSIBLE WORLDS, THEREFORE, THE PHILIPPINES APPEARS ABLE NOW TO GO AHEAD AND FULFILL ITS U.S. ENTITLEMENTS, WHILE AT THE SAME TIME DEVELOPING ITS HAPANESE MARKET AND WORKING OUT FUTURE DEALS WITH JAPAN WHICH WILL NOT BE IN OUR COMMERCIAL INTEREST TO SAY THE LEAST.

4. THUS, IF, IN THE FUTURE, THERE IS A TYPHOONN OR A DROUGHT, OR SOME OTHER NATURAL DISASTER WHICH REDUCES THE SUGAR CROP, THE PHILIPPINES, IN THE ABSENCE OF A U.S. QUOTA, WILL HAVE NO RPT NO COMPELLING INCENTIVE TO SUPPLY THE U.S. MARKET FIRST AND LET OTHER BUYERS TAKE THE HINDMOST. IN FACT, THE SALES AND CREDIT ARRANGEMENTS WHICH I EXPECT TO SEE MADE BETWEEN MANILA AND TOKYO WILL ALMOST CERTAINLY GIVE JAPAN AN IRON-CLAD ASSURANCE OF HAVING FIRST ENTITLEMENT TO SOME LARGE PART OF PHILIPPINE SUGAR IN A SHORTAGE SITUATION.

5. THEREFORE, PURELY FROM THE MANILA PERSPECTIVE, THE ADMINISTRATION POSTURE ONSUGAR AS DESCRIBED REFTEL SEEMS ALTOGETHER TOO PASSIVE. IT WOULD APPEAR TO ME THAT NOW IS A PROPITIOUS TIME TO REVIEW THE SUGAR MARKETING SITUATION TO EXAMINE WHETHER A MORE POSITIVE STANCE MAY NOT BE JUSTIFIED.

6. EMBASSIES IN OTHER PRINCIPAL SUGAR EXPORTING COUNTRIES, WHICH ARE INFORMATION ADDRESSEES ON THIS MESSAGE, MAY HAVE OTHER VIEWS ON THIS SUBJECT. IT WOULD BE HELPFUL TO US IN MANILA (AND POSSIBLY TO THE DEPARTMENT) IF THEY COULD PROVIDE THEIR REACTION TO THIS MESSAGE, WITH COPIES TO ALL ADDRESSEES.

SULLIVAN

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Message Attributes

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